

## Case study

## Large scale Management Buy Out

### DavyMarkham Ltd

### Delivering Heavy Engineering Assemblies and Components



Funded by



The company's origins lay in two industrial giants: Sheffield-based Davy and Markham of Chesterfield, with close to 300 years of manufacturing history between them. The merger came about in 1997 and DavyMarkham is involved in the design, manufacture, assembly and installation of extremely large engineering components and assemblies. The company holds a unique position based upon its ability to handle and transport individual components weighing up to 350t.

Various ownership changes over the last 20 years resulted in the company being neglected, starved of funding and lacking in good strategic direction.

Kevin Parkin (MD) was appointed in March 2006 with a mandate to either close the business or prepare it for disposal. The business at this time was incurring losses of £350k per month and was consuming considerable quantities of cash.

Within 12 months Mr. Parkin stabilised the business, returned it to profit and replaced the management team. Mr. Parkin and the new FD decided that they could raise funds for an MBO and completed the transaction in July 2007. Leeds based buyout group, Endless bought a 70% stake in the company, with Kevin Parkin and a small group of other managers owning the rest of the equity.

#### Performance

The business made a profit of £750k in 2008. Having seen years of losses, following the new strategy and private equity funding, the company projects a 10% increase sales in 2009, in spite of the recession. The company has also seen employee numbers increase with 40 new staff coming on board, and new markets being created by servicing Davy steel presses which are used around the world.

“What we are doing here is to replicate the accuracy you'd associate with a Swiss watch, but with components that could be the size of a bus”

Kevin Parkin, MD DavyMarkham

Investor:	Endless
Location:	Sheffield
Sector:	Heavy Engineering Assemblies and Components
Stage:	MBO-2007
Exit:	Currently in Portfolio
Company Website:	<a href="http://www.davymarkham.com">www.davymarkham.com</a>
Investor Website:	<a href="http://www.endlessllp.com">www.endlessllp.com</a>

#### Strategy

##### Stabilisation of loss making business

- Detailed review of the working capital, costing methods and plant condition
- Returned the business to a break even and cash generative position

##### Formulation and implementation of new strategy

- Formal presentation to all business partners (unions, suppliers, customers and bankers) explaining their roles in the execution of the new strategy
- Implementation program with milestones and actions against individuals

##### Returning business to profitability and generating cash

- Implemented tight controls throughout the business saving £600k pa
- Selective increases in prices by up to 30% to restore account profitability
- Management generated 13 week cash flow forecast
- Demanded upfront payments which resulted in a cash surplus of £1m

##### Improvement in health and safety management

- Made H&S the number one priority throughout the business
- Implemented risk assessment procedures for all business activities

##### Productivity initiatives and improvements

- Established and monitored KPI's with corrective actions for deviations
- Improved production efficiency by 27% through better downtime analysis
- Introduced continuous improvement techniques investing £150k in Capex

##### MBO in July 2007

- Implemented an apprentice training scheme (costing £300K)
- Invested £2.0m in plant maintenance, marketing and training

